King's Flair International (Holdings) Limited
科勁國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6822)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "Board") of directors (the "Directors") of King's Flair International (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred hereafter as the "Group") for the year ended 31 December 2014, together with the comparative audited figures for the year ended 31 December 2013 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Revenue	3	**1,359,459**	1,236,284
Cost of sales		**(1,113,522)**	(1,048,295)
Gross profit		**245,937**	187,989
Other income	5	**12,441**	10,965
Distribution expenses		**(21,925)**	(23,403)
Administrative expenses		**(119,454)**	(84,900)
Operating profit		**116,999**	90,651
Gain on bargain purchase		**–**	6,300
Finance costs	6	**(349)**	(468)
Profit before income tax	7	**116,650**	96,483
Income tax expenses	8	**(23,496)**	(18,150)
Profit for the year		**93,154**	78,333

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
for the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax		**5,949**	(4,164)
Exchange difference arising on translation of foreign operations		**12**	288
Other comprehensive income for the year, net of tax		**5,961**	(3,876)
Total comprehensive income for the year		**99,115**	74,457
Profit for the year attributable to:			
Owners of the Company		**95,146**	82,887
Non-controlling interests		**(1,992)**	(4,554)
		93,154	78,333
Total comprehensive income attributable to:			
Owners of the Company		**101,088**	78,880
Non-controlling interests		**(1,973)**	(4,423)
		99,115	74,457
Earnings per share:	*9*		
– Basic		**HK$0.18**	HK$0.16
– Diluted		**HK$0.18**	HK$0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**33,685**	35,132
Prepaid land lease payments		**2,021**	2,110
Other asset		**172**	172
Interest in an associate		**–**	–
Intangible asset		**19,225**	24,031
Deferred tax assets		**5**	6
		55,108	61,451
Current assets			
Inventories		**10,200**	10,225
Trade receivables	*11*	**144,639**	160,258
Prepayments, deposits and other receivables		**35,901**	38,127
Available-for-sale financial assets		**38,291**	32,342
Amount due from an associate		**2,046**	6,960
Prepaid tax		**528**	2,876
Pledged bank deposits		**20,895**	9,611
Cash and bank balances		**125,211**	136,650
		377,711	397,049
Current liabilities			
Trade and bills payables	*12*	**90,198**	119,525
Deposits received, other payables and accruals		**43,294**	27,929
Dividend payable		**–**	60,000
Bank borrowings		**10,268**	20,738
Amount due to a related party		**–**	9,600
Loans from non-controlling interests		**14,239**	–
Provision for tax		**7,832**	342
		165,831	238,134
Net current assets		**211,880**	158,915
Total assets less current liabilities		**266,988**	220,366
Non-current liabilities			
Loans from non-controlling interests		**12,916**	14,420
Deferred tax liabilities		**7,126**	8,115
		20,042	22,535
Net assets		**246,946**	197,831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
as at 31 December 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**–**	–
Reserves		**245,529**	194,441
		245,529	194,441
Non-controlling interests		**1,417**	3,390
Total equity		**246,946**	197,831

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 January 2015.

Pursuant to a group reorganisation (the "Reorganisation") as set out under the section "History, Reorganisation and Group Structure" in the Company's prospectus dated 31 December 2014 (the "Prospectus"), the Company became the holding company of the subsidiaries (together with the Company are collectively referred to as the "Group") now comprising the Group. The consolidated financial statements of the Group has been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The principal activity of the Company is investment holding while the Group is principally engaged in the trading of kitchenware products. The Group's principal places of business are Hong Kong and the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Group's statement of comprehensive income and Group's statement of changes in equity for the years ended 31 December 2013 and 31 December 2014 and the Group's statement of financial position as at 31 December 2013 and 31 December 2014 have been prepared on the basis as if the Company had always been holding company of the companies now comprising the Group throughout the years. The consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Reorganisation had been in existence throughout the years or since their respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period, except for the acquisition of a subsidiary during the year ended 31 December 2013 which was accounted for using acquisition accounting.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2014

In the current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by the HKICPA which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities
The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired assets or cash-generating unit whose recoverable amount is based on fair value less costs of disposal.

The adoption of the amendments has no impact on these financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

At the date of authorisation of the financial statements, certain new or amended HKFRSs have been issued but are not yet effective, and have not early adopted by the Group for the year ended 31 December 2014.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Disclosure Initiative (Amendments to HKAS 1)	Presentation of Financial Statements[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]

Notes:

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

The Directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new or amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle
The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Disclosure Initiative (Amendments to HKAS 1) – Presentation of Financial Statements
The amendments to HKAS 1 are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements. In addition, an amendment is made to HKAS 1 to clarify the presentation of an entity's share of other comprehensive income from its equity accounted interests in associates and joint ventures. The amendment requires an entity's share of other comprehensive income to be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements
The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments
HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 15 – Revenue from Contracts with Customers
The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these pronouncements in the period of initial application and the Directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. REVENUE

The Group is principally engaged in trading of kitchenware products. Revenue, which is also the Group's turnover, represents invoiced value of goods sold, after allowances for returns and discounts (net of value added tax). Revenue recognised during the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Sales of goods	**1,359,459**	1,236,284

4. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial statements reported to the Company's executive directors for their decisions about resources allocation to the Group's business component and review of the component's performance. There is only one business component in the internal reporting to the executive directors, which is the trading of kitchenware products. The Group's assets and capital expenditure are principally attributable to this business component.

(ii) Geographical segment information

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers is divided into the following geographical areas:

	Notes	**2014** **HK$'000**	2013 *HK$'000*
United States		**1,159,739**	1,061,957
Europe	*(a)*	**84,727**	67,452
Asia	*(b)*	**65,743**	43,072
Canada		**38,296**	52,881
Other locations	*(c)*	**10,954**	10,922
		1,359,459	1,236,284

Notes:

(a) Principally included United Kingdom, Switzerland, France and Germany

(b) Principally included Hong Kong and Japan

(c) Principally included Australia, Mexico, Turkey and Egypt

The geographical location of customers is based on the location of customers. For intangible asset, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets is based on the physical location of the assets. As at 31 December 2014 and 2013, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iii) Information about major customers

For the year ended 31 December 2014, revenues from four (2013: four) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these major customers as shown below accounted for HK$1,078,095,000 (2013: HK$996,366,000) of the Group's revenue for the year ended 31 December 2014.

	2014 **HK$'000**	2013 *HK$'000*
Company A *(note)*	**–**	178,144
Company B	**576,999**	436,489
Company C	**145,558**	140,440
Company D	**202,109**	241,293
Company E	**153,429**	–
	1,078,095	996,366

As at 31 December 2014, 72% (2013: 59%) of the Group's trade receivables were due from the abovementioned major customers.

Note: Company A represents Winlot Holdings Limited ("Winlot"), a company incorporated in the British Virgin Islands on 23 April 2012, which has become the holding company of Oera Development Limited ("Oera") and Emington International Limited ("Emington") since June 2012. Winlot, Oera and Emington (collectively "Winlot Group") were beneficially owned by Ms. Cheng Kui Mei, May, a sister of Cheng Rebecca Hew Hong ("Ms. Cheng") and therefore sister-in-law of Mr. Wong Siu Wah ("Mr. Wong") throughout the year ended 31 December 2013. The sale of goods to the subsidiaries of Oera and Emington during the year ended 31 December 2013 constituted related party transactions.

For the segment analysis in respect of major customers, the sales of goods to Winlot Group were disclosed on aggregated basis.

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**23**	35
Dividend income from financial assets	**691**	683
Management and handling services	**1,317**	3,196
Recharge from customers *	**10,359**	6,890
Gain on disposal of property, plant and equipment	**–**	1
Others	**51**	160
	12,441	10,965

* Recharges from customers mainly represented the tooling and mould costs recharged to customers, which were recognised when the amounts are mutually agreed by the Group and the customers.

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest charges on financial liabilities at amortised cost:		
Bank loans wholly repayable within five years	**71**	210
Bank overdrafts and other borrowings wholly repayable within five years	**278**	258
	349	468

The analysis above shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed schedule repayment dates set out in the loan agreements. The interest on bank loans which contains a repayment on demand clause amounted to HK$71,000 (2013: HK$210,000) for the year ended 31 December 2014.

7. PROFIT BEFORE INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Auditor's remuneration	**850**	375
Cost of inventories sold recognised as expense	**1,113,522**	1,048,295
Depreciation of property, plant and equipment*	**4,113**	3,790
Amortisation of intangible asset*	**4,806**	–
Amortisation of prepaid land lease payments*	**58**	59
Operating lease rentals in respect of land and buildings and equipment	**5,465**	5,428
Loss on written off of property, plant and equipment	**–**	762
Provision for impairment of trade receivables	**152**	–
Listing expenses	**13,340**	1,137
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	**34,575**	29,251
Discretionary bonuses	**20,472**	22,509
Contributions to defined contribution schemes	**1,612**	1,303
	56,659	53,063
Exchange loss, net	**6,037**	3,622

* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of HK$127,000 and HK$291,000 and administrative expenses of HK$8,850,000 and HK$3,558,000 for the years ended 31 December 2014 and 2013 respectively.

8. INCOME TAX EXPENSES

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong		
– Current year	**24,525**	16,281
– (Over)/under provision in respect of prior years	**(41)**	1,959
	24,484	18,240
Deferred tax		
– Credit for the year	**(988)**	(90)
Income tax expenses	**23,496**	18,150

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 December 2014.

Enterprise income tax ("EIT") for the year was calculated at 25% of the estimated assessable profits arising from the PRC. No PRC EIT tax has been provided for Group's PRC subsidiaries as they did not derive any assessable profits during the year ended 31 December 2014 (2013: Nil).

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of HK$95,146,000 (2013: HK$82,887,000) and 525,000,000 (2013: 524,991,000) ordinary shares in issue and issuable, comprising 10,000 ordinary shares as at 31 December 2014 (2013: 1,000) and 524,990,000 ordinary shares issued pursuant to the capitalisation issue as detailed in the Prospectus as if the shares were outstanding throughout both 2013 and 2014.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2014 and 2013, and hence the diluted earnings per share is the same as basic earnings per share.

The calculation of the aforesaid basic earnings per share and diluted earnings per share had not yet taken into consideration of 175,000,000 ordinary shares issued and alloted arising from the completion of placing and public offer of the Company's ordinary shares on 15 January 2015.

10. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Prior to Reorganisation, interim dividends, which has been paid or declared, are detailed as follows:

(a) During the year ended 31 December 2013, King's Flair Development Limited ("King's Flair Development"), a wholly – owned subsidiary, declared an interim dividend of HK$60 per ordinary share to its equity holders, totalling HK$60,000,000. Such dividend was not paid as of 31 December 2013, and included in dividend payable in the consolidated statement of financial position as at 31 December 2013. The aforesaid dividend payable was fully paid during the year ended 31 December 2014.

(b) During the year ended 31 December 2013, Homespan (HK) Limited, a subsidiary, declared and paid an interim dividend of HK$80 per ordinary share to its equity holders, totalling HK$800,000 and the interim dividend entitled by the non-controlling interests was HK$392,000.

(c) During the year ended 31 December 2014, King's Flair Development declared and paid an interim dividend of HK$50 per ordinary share to its equity holders, totalling HK$50,000,000.

The Directors do not propose any final dividend in respect of the year ended 31 December 2014 (2013: Nil).

11. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**144,791**	160,258
Less: provision of impairment loss	**(152)**	–
Trade receivables, net	**144,639**	160,258

The Group's trading terms with customers are mainly on credit. The credit terms are generally 7 to 90 days from the invoice date. All trade receivables are interest-free.

The Directors of the Company considered the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade receivables, (net of impairment losses) as at the reporting date, based on the invoices dates, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**111,173**	94,125
31–60 days	**24,701**	45,890
61–90 days	**4,492**	7,901
Over 90 days	**4,273**	12,342
	144,639	160,258

12. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest bearing and normally have a credit period of 0 to 90 days from the invoice date.

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**90,198**	116,525
Bills payables *(note)*	**–**	3,000
	90,198	119,525

Note: At 31 December 2013, bills payables were secured by the pledge of leasehold land and buildings with the carrying amount of HK$22,727,000, and the personal guarantees given by the Company's directors, Mr. Wong and Ms. Cheng.

An ageing analysis of the Group's trade and bills payables as at the reporting date, based on the invoices dates is as follows:

	2014	2013
	HK$'000	*HK$'000*
0–90 days	**89,668**	110,768
91–180 days	**108**	854
181–365 days	**–**	1,262
Over 365 days	**422**	6,641
	90,198	119,525

The Directors of the Company considered the carrying amounts of trade and bills payables to approximate their fair values.

13. EVENTS AFTER THE REPORTING DATE

On 15 January 2015, an aggregate of 17,500,000 ordinary shares and 157,500,000 ordinary shares were issued and offered for subscription under public offer and placing, respectively at a price of HK$1.38 per share. The Group raised funds of approximately HK$241,500,000, before any related listing expenses arising from the public offer and placing.

On 16 January 2015, the Company's shares were listed on the Main Board of the Stock Exchange ("Listing").

The Directors of the Company have confirmed that the personal guarantees provided by Mr. Wong and Ms. Cheng have been subsequently released and replaced by a corporate guarantee by the Company upon Listing.

Save as the aforementioned, there are no other significant events undertaken by the Company or by the Group after 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a principally engaged in designing, developing and supplying an extensive assortment of kitchenware products with its headquarters in Hong Kong. Our business is to supply mainly high-end global kitchenware products to international brandowner customers in North America, Europe and Asia. The Group's products include tools and gadgets, drinkware, bakeware and accessories, food preparation products and storage and accessories.

Kitchenware industry is a fast-growing global industry. The Group differentiates itself by providing customised services including market research, concept creation, product design, product development, raw material sourcing, production factory sourcing, production engineering and control, quality assurance, order tracking and logistics, as well as other ancillary services. The Group aims to become a complete one-stop shop for kitchenware products to international kitchenware brand-owner customers.

OPERATIONAL REVIEW

Continue strengthening of product design, development and engineering capabilities

Strong product design, development and engineering capabilities are the Group's core business strength. As at 31 December 2014, the Group had a team of 5 full-time personnel engaged in market research, product design and development with an average of over 8 years of relevant experience in product design and development, and 8 full-time production engineers with average of over 10 years of relevant working experience in product development.

Further expand the global customer base

During the year ended 31 December 2014, the Group received orders from over 100 customers. As at 31 December 2014, we have a sales and marketing team of over 35 employees.

Apart from strengthening relationship with existing customers, the Group has regularly participated in Hong Kong trade fairs to establish new business opportunities with potential brand-owner customers. In 2015 the Group is, for the first time, exhibiting at Ambiente, an important trade show in Germany, as we further drive our international sales strategy, in tandem with continued research and investment into expanding our market penetration in China. Attending such major fairs is an important new step for the Group and one that will help to further drive our global growth.

Deep commitment to quality and customer services

The Group values our quality control capability and believes it is one of our key strengths. In 2014, the production and quality control processes were carried out by a team of over 90 quality assurance professionals in the People's of Republic of China ("PRC") who provided quality control and production control services to us and were stationed at or near the production factories in the PRC and under the close supervision of our quality assurance management. During the financial year ended 2014, there were no major quality control issues encountered by the production factories to whom production had been outsourced.

The Group had neither received any major sales return nor any complaint about product quality from customers.

FUTURE STRATEGY

The Group believes that companies which operate in the global kitchenware market must be able to closely track market trends and immediately assist their customers to bring products to market with the best innovative product design, development and engineering capabilities. As such the Group continues to invest in our people, hardware and software to ensure that we continue to bring innovation and value-added input to our customers.

As the Group strives to expand our sales efforts to a larger international audience through attendance at major global trade shows, the Group will continue to focus on meeting mid-tier and high-end kitchenware market demand, and ensure that we have the capability to cater for demand for a broad and diversified range of products. The Group also intends to enter into new markets with good growth potential such as Eastern Europe, Africa and South America, by working with local importers and trade agents where appropriate.

Closer to home, the Group continues to research opportunities in the PRC where a significant opportunity exists for us to deepen our market penetration. With current volatility in the PRC retail market the Group is taking a cautious approach towards expansion, but in line with our plans at the time of the Listing, we continue to pursue opportunities to further develop our own physical retail and e-commerce presence in the PRC market.

FINANCIAL REVIEW

Revenue

In 2014, the Group again achieved steady year-on-year growth in sales. Total revenue achieved approximately HK$1,359.5 million, representing an increase of approximately 10.0% as compared to that of approximately HK$1,236.3 million in 2013. Revenue growth was principally driven by increased order levels from existing customers as well as the orders placed by new customers. We consider our continued revenue growth to be reflective of our strong design and engineering skills that we believe continue to differentiate us from our competitors in a highly competitive market.

In 2014, the aggregate revenue derived from the five largest customers was approximately HK$1,109.4 million as compared to that of approximately HK$1,029.6 million in 2013. The Group is also actively diversifying and expanding its customer base, while we expect that our current key customers will continue contributing to large percentage of the Group's revenue.

Cost of sales

During the year under review, cost of sales of the Group increased by approximately 6.2% to approximately HK$1,113.5 million as compared to that of approximately HK$1,048.3 million in 2013. Cost of sales as a percentage of revenue decreased to 81.9% for the year ended 31 December 2014 as compared to that 84.8% for the year ended 31 December 2013.

The Group benefited from the lower cost of products in 2014 driven by two factors:

- The weakening of the Renminbi ("RMB") in the second half of 2014, which had a beneficial impact on the cost of goods sourced from the PRC; and

- The global reduction in commodity prices in the final quarter of 2014, which helped to reduce production costs of our suppliers.

Gross profit and gross profit margin

Gross profit was approximately HK$245.9 million for the financial year ended 31 December 2014 (2013: HK$188.0 million) and the gross profit margin increased by approximately 2.9% to approximately 18.1% for the year of 2014 (2013: 15.2%). This increase was mainly due to the lower cost of products as mentioned above.

Profit for the year

In the financial year ended 31 December 2014, profit for the year increased by approximately 18.9% to approximately HK$93.1 million (2013: HK$78.3 million). The increase in profit for the year was mainly driven by the lower cost of products.

Other income

In the financial year ended 31 December 2014, other income increased by approximately 13.5% to approximately HK$12.4 million (2013: HK$11.0 million) primarily due to increase in recharge from customers.

Distribution expenses

Distribution expenses are primarily related to the PRC retail business which slightly decreased to approximately HK$21.9 million in the financial year ended 31 December 2014 (2013: HK$23.4 million).

Administrative expenses

In the financial year ended 31 December 2014, administrative expenses increased by approximately 40.7% to approximately HK$119.5 million (2013: HK$84.9 million), mainly due to (i) expenses of approximately HK$13.3 million incurred in relation to the Listing; (ii) approximately HK$4.8 million incurred in amortisation of intangible assets; and (iii) approximately HK$4.8 million incurred in consultancy fee.

DIVIDEND

The Directors do not propose any final dividend in respect of the year ended 31 December 2014 (2013: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 140 employees (2013: 130 employees). Total staff costs (including Directors' emoluments) were approximately HK$56.7 million, as compared to approximately HK$53.1 million for the year ended 31 December 2013.

The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the cash and bank balances amounted to approximately HK$125.2 million (2013: HK$136.7 million) which were mainly denominated in United States dollars ("USD"), RMB and Hong Kong dollars ("HKD"). The Group's total bank borrowings amounted to approximately HK$10.3 million (2013: HK$20.7 million) which were all denominated in HKD. Interest is determined on the basis of Hong Kong Interbank Offering Rate or Prime Rate for HKD borrowings. There was no change to the Group's capital structure since the Listing and up to the date of this announcement. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

The annual interest rate of the bank borrowings during the year ended 31 December 2014 was 2.5% (2013: 1.71%–3.75%).

Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2014 and 2013 were 15.2% and 17.8% respectively.

Prior to the Listing, the Group's operations were funded principally from the cashflows from operation and bank borrowings. The principal liquidity and capital requirements relate to the following:

- costs and expenses related to the operation of the business, including the cost of sales, distribution expenses and administrative expenses; and

- capital expenditures for the establishment of retail sales points and flagships stores in the PRC.

Since Listing in January 2015, the Group expects to fund our liquidity needs through cash flow from operations, bank borrowings, and the net proceeds of the share offer.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in USD and incurs cost in HKD and RMB. The Group is exposed to foreign exchange risk with respect mainly to USD and RMB which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any hedging policy.

PLEDGE OF ASSETS

At 31 December 2014, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$21.9 million (2013: HK$22.7 million) and pledged time deposit of HK$20.9 million (2013: HK$9.6 million) were pledged to secure general banking facilities granted to the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company's share offer in January 2015 amounted to approximately HK$219.8 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be or have been applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Listing Rules.

CONTINGENT LIABILITIES

At 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

CAPITAL COMMITMENTS

As at 31 December 2014, the Group has no significant outstanding capital commitment (2013: HK$134,000).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding securities transaction by the Directors of the Company. The Company has made specific enquiry with all Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code since the Listing and up to the date of this announcement.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts as set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing and up to the date of this announcement.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code Provisions in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Since Listing and up to the date of this announcement, the Company has complied with the CG Code save for deviation as disclosed below.

CG Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Wong Siu Wah currently performs both roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority in the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Group at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirement of Rule 3.21 of the Listing Rules for the purposes to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board. The Audit Committee, comprising Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie, has reviewed the audited financial results of the Group for the year ended 31 December 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2014 will be held on 5 June 2015. Further details of the annual general meeting will be announced in due course.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The 2014 annual report of the Company containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and available on the Company's website at www.kingsflair.com.hk and Stock Exchange's website at www.hkexnews.hk in due course.

By Order of the Board
King's Flair International (Holdings) Limited
Wong Siu Wah
Chairman and Executive Director

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises of three executive directors, namely Mr. Wong Siu Wah, Ms. Wong Fook Chi, and Mr. Wong Ying Wai Dennis; and three independent non-executive directors, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie.